

**Dr. Lambert
Engelbrecht**

**Dept of Social Work
Stellenbosch University
South Africa
lke@sun.ac.za**

**INDEPTEDNESS
OF
FINANCIALLY
VULNERABLE
HOUSEHOLDS:
WHAT DO
SOCIAL
WORKERS DO?**

Reference:

Engelbrecht, L.K. 2008. Indebtedness of financially vulnerable households: What do social workers do? *International Association of Schools of Social Work Conference*. Durban: South Africa.

Available at:

<http://scholar.google.co.za/citations?user=YUORtfMAAAAJ&hl=en>

BACKGROUND

- Households spend 60c – 70c of every Rand on repayment of debt in SA
- Households' savings needed to contribute to country's current account deficit

BACKGROUND

- Economic growth and job creation = social development philosophy
 - Combine social welfare assistance with developmental strategies
 - Promoting economic and social development
 - Strengthen people's capacity
 - Enhance social and economic inclusion
 - Alleviate poverty

BACKGROUND

- Social work
 - Focussed on poorest of poor household
 - Poor households = highest debt to income ratio

RESEARCH QUESTION

- What do social workers, working within a social development paradigm, do to assist clients who are caught in a debt trap?
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CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

- Preponderance of available information at the time a determination is made
- Indicates that the consumer is/will be unable to satisfy obligations (SA Credit Act 2005)

CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

- **Welfare recipients**
 - **Constitute 26% of all South Africans**
 - **Have highest debt service to income ration**

CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

- 77% households occupy homes
- 90% have use of sell phones
- Money in circulation

DEBT BEHAVIOUR OF POOR HOUSEHOLDS

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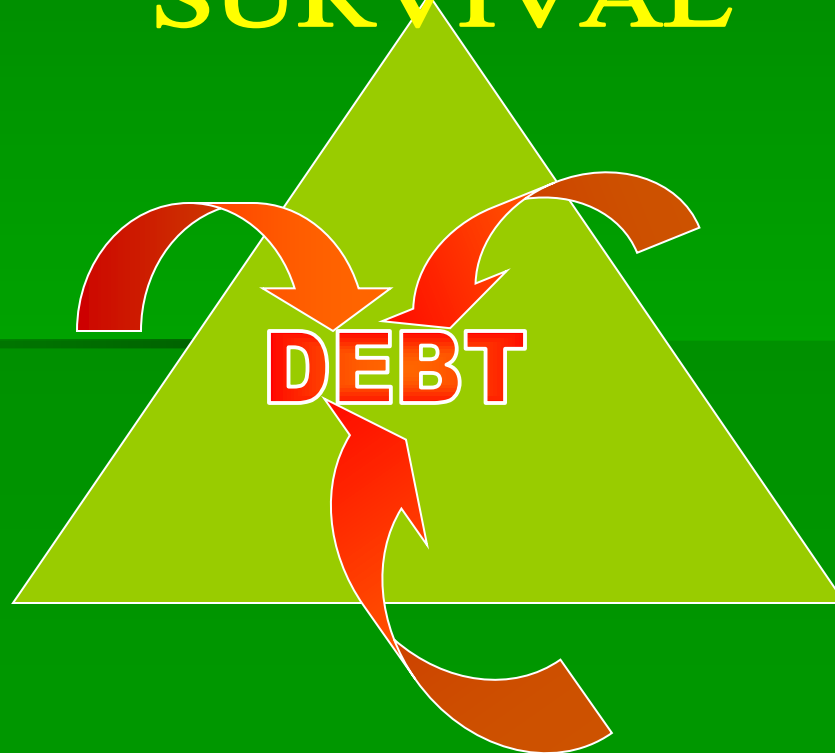
BERMUDA DEBT TRIANGLE



DEBT BEHAVIOUR OF POOR HOUSEHOLDS

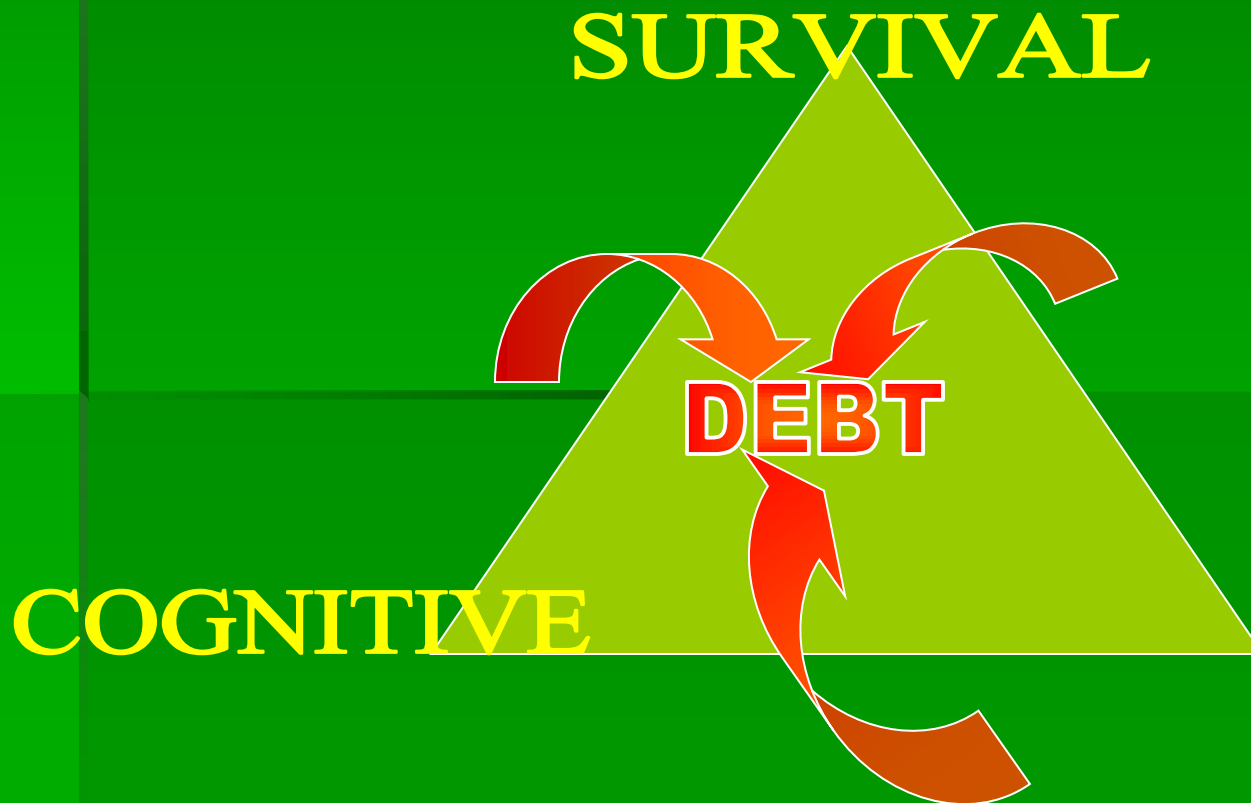
BERMUDA DEBT TRIANGLE

SURVIVAL



DEBT BEHAVIOUR OF POOR HOUSEHOLDS

BERMUDA DEBT TRIANGLE



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BERMUDA DEBT TRIANGLE

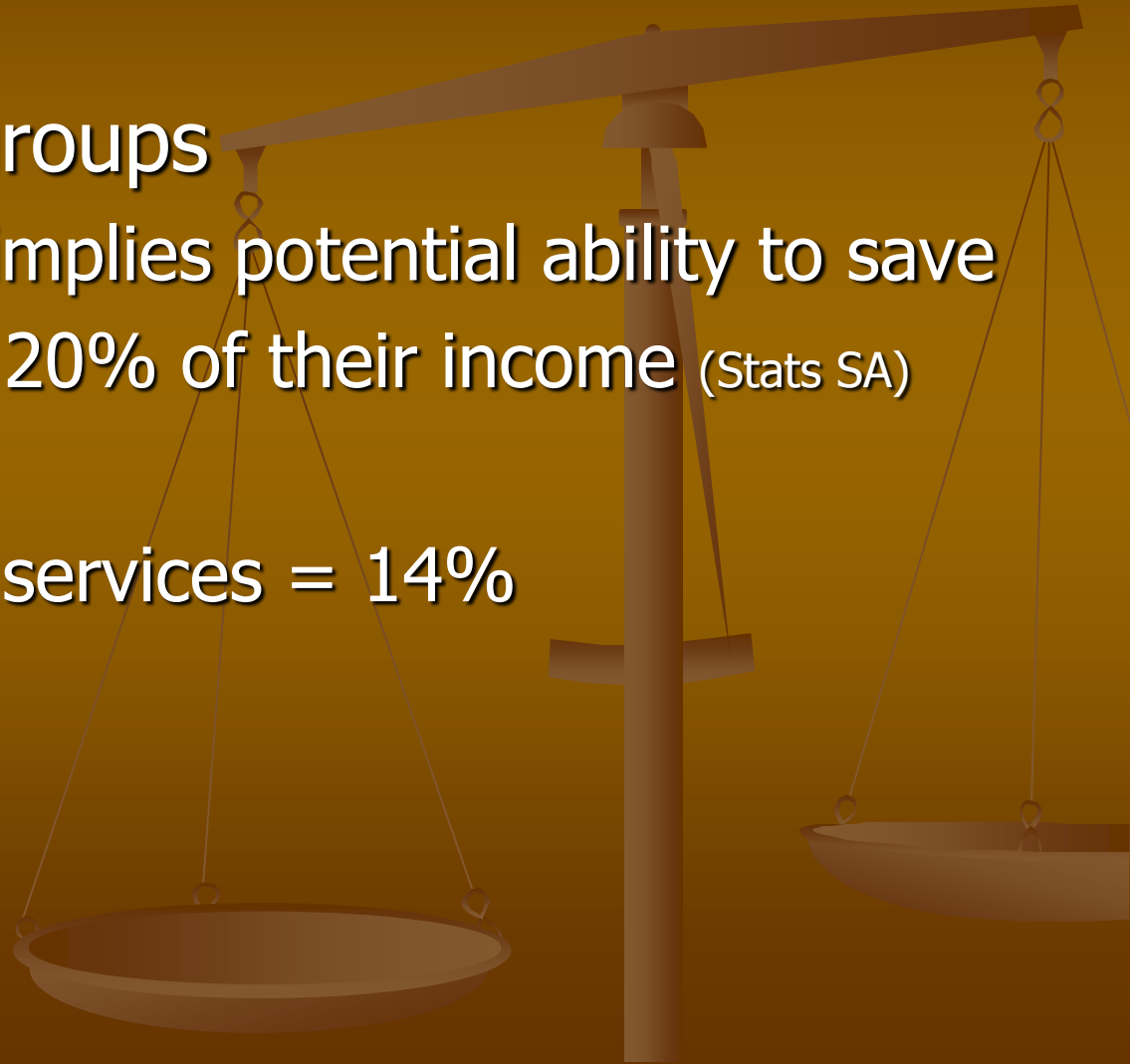




We can loan you enough money...
to get you completely out of debt!

SAVINGS BY POOR HOUSEHOLDS

- Lower income groups
 - Repaying debt implies potential ability to save
 - Can save up to 20% of their income (Stats SA)
 - “stokvel”
 - Use of banking services = 14%



RESEARCH METHODOLOGY

- Combined qualitative and quantitative approach
- Cross-sectional exploratory and descriptive design
- Non-probability sampling
- Universe of 85 front-line social workers
 - Attached to an NGO
 - Generalist social work
 - Integrated service delivery model
- Structured self-administered questionnaires



FINDINGS

- Response rate = 87%
- Service delivery to 10951 households
- Each respondent has a caseload of ± 148 households

FINANCIAL VULNERABILITY AND OVER-INDEBTEDNESS

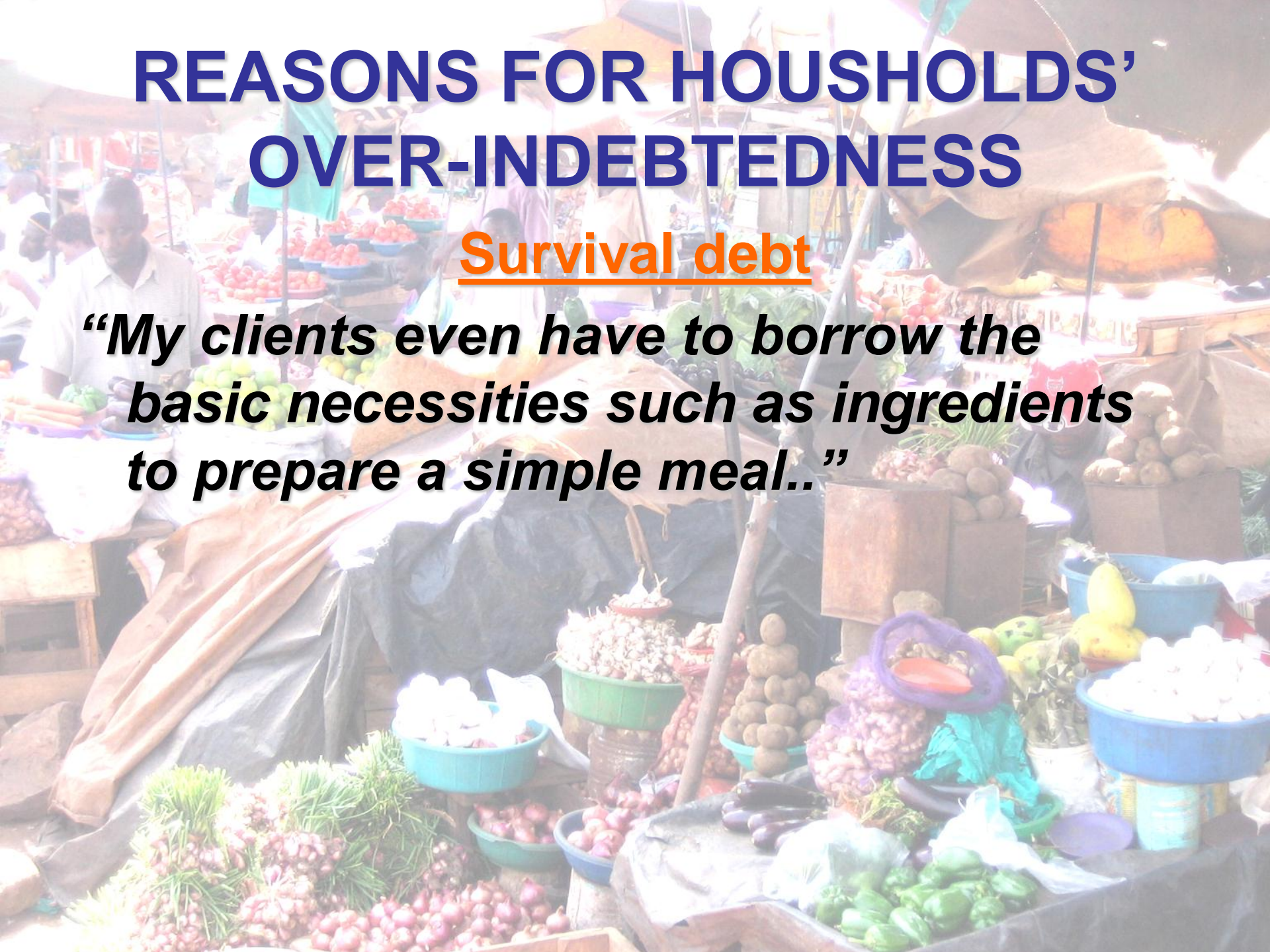
- 80% households are considered financially vulnerable
- 59% households are over-indebted



REASONS FOR HOUSEHOLDS' OVER-INDEBTEDNESS

Survival debt

“My clients even have to borrow the basic necessities such as ingredients to prepare a simple meal..”



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“My clients manage to obtain accounts at various stores who encourage them to spend, but do not explain the fine print of how a credit account works... ”

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Affective debt

“Clients also want to spoil themselves sometimes...”

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INTERWOVENNESS OF CREDITORS

- Households have \pm 3 creditors
- Borrow to repay loans
- Secure informal loans



TO WHOM ARE HOUSEHOLDS INDEBTED?

A photograph of a furniture store with many colorful sofas and a person walking in the foreground. The store has a corrugated metal roof and stacks of boxes in the background. The sofas are in various colors like yellow, orange, and red. A person is walking from left to right in the foreground, slightly out of focus.

- 66% owe most money to furniture and clothing stores
- Micro-lenders
- Determined by
 - Environment
 - Accessibility
 - availability

SOCIAL WORK INTERVENTION

Refer (26%)

- Mostly for welfare grants
- 2 respondents refer households to financial institutions
- 0 respondent refer households for debt counselling

SOCIAL WORK INTERVENTION

Handled self (41%)

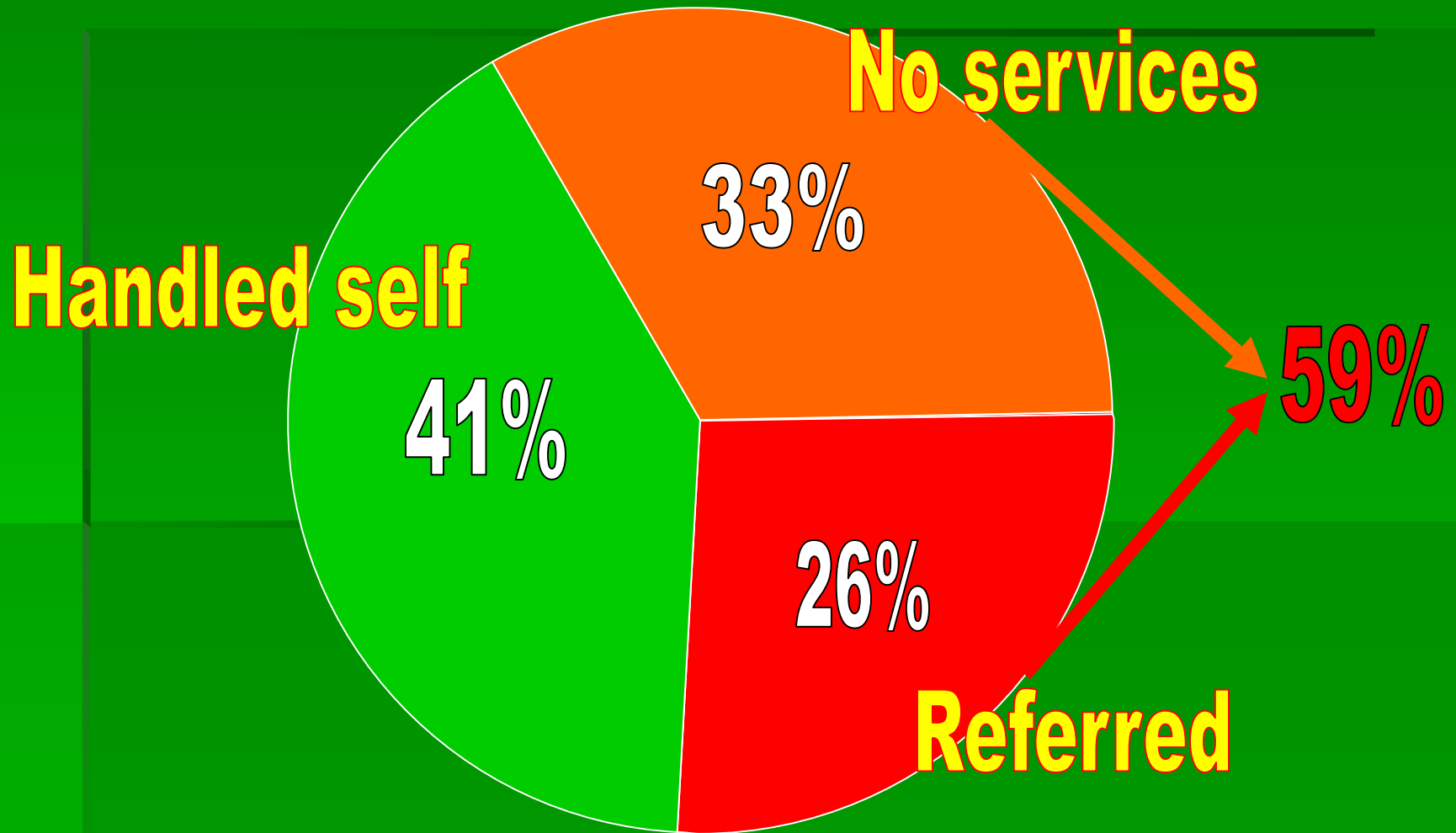
- Teach clients budgeting skills
- Individual
- Few use/facilitation of other sources
- Temporary material assistance

SOCIAL WORK INTERVENTION

No services (33%)



SOCIAL WORK INTERVENTION



REASONS FOR NO SERVICES

- Resistance of households
- Lack of resources
- Huge caseloads



REASONS FOR NO SERVICES

- Lack of resources
- Huge caseloads
- Resistance of households
- Volunteers?
- Role as facilitator?
- Only direct services?



“I was not trained to give financial advice”

A N N Y ' S P U

**enjoy your life
2 the fullest**

“I don't feel it should be the responsibility of the social worker to sort out the financial issues of clients”

**84% respondents recommended
that financial education should
be facilitated and/or taught by
them to clients**



RECOMMENDATIONS

Focus on:

- **Role of social work i.r.o. client's indebtedness**
- **Social workers' and students' financial literacy**
- **Methods of financial education**
- **Facilitation of resources**
- **Integration of theories of debt behaviour and social work**



CONCLUSION

*If social workers
don't intervene...*



CONCLUSION



who will?